



ENERGY ASSURANCE DAILY

Thursday, June 15, 2006

Electricity

Utilities and Railroads Spar at FERC Meeting on Electricity Reliability

FERC held a public meeting today with representatives from electric utilities and railroads to determine if electricity reliability is being affected by problems some utilities are having in getting the desired coal shipments by rail. Representatives from the National Rural Electric Cooperative Association, the Electric Power Supply Association, the American Public Power Association, and the Edison Electric Institute spoke first and detailed the problem from their perspective. They said that: 1) coal stocks are too low at some utilities; 2) deliveries of coal by the railroads over the past couple years have become unreliable and that some railroads are not meeting contractual commitments to deliver coal to utilities; 3) some utilities have had to import coal to make up for inadequate deliveries of domestic coal by the railroads; 4) some utilities have had to buy expensive power or natural gas to fulfill their customers' needs; 5) railroads do not have the capacity to meet current coal demand; 6) railroads are monopolies in some markets and are giving some captive utilities "take it or leave it offers" to move coal; and 7) prices to move coal have skyrocketed over the past couple years. The utility representatives urged FERC to monitor the situation and felt that FERC has the regulatory authority to help solve the problem. Railroad representatives from the Association of American Railroads, Burlington Northern Santa Fe, and CSX then responded, saying: 1) utilities lowered their stocks by design and the railroads are not at fault; 2) railroads are meeting their contractual commitments; 3) imports of coal are minor; 4) supply and demand controls the market for coal; 5) railroads are building more capacity, but they can't expand only because the utilities may need it; 6) contracts are negotiated with customers and the railroads are happy and confident that their coal business will continue to grow. The railroad representatives also pointed out that greater volumes of coal are moving by rail than ever before. (See related story in Other News.)

Source: DOE/OE observer at the FERC Meeting

High Prices Push U.S. Oil-Fired Electricity Generation to Record Low – EIA

According to EIA, oil-fired electricity generation declined in the first three months of 2006 due to high oil prices and the "relative moderation" of natural gas prices. Compared with March last year, oil-fired generation has plunged 63.3 percent to 2.37 million MWh, the lowest amount in EIA's monthly records dating back to 1973. In addition, petroleum stocks at power plants have risen by 18 percent since last year. In 2004, oil-fired generation made up 3 percent of total U.S. electricity generation.

<http://www.platts.com/Electric%20Power/News/7529311.xml?p=Electric%20Power/News&sub=Electric%20Power>
<http://www.eia.doe.gov/cneaf/electricity/epa/figes2.html>

Ontario's Coal-fired Power Plants to Stay Open for Now

Canada's Energy Minister has said that the Ontario government will not close its remaining coal-fired power plants as previously planned and directed the Ontario Power Authority to proceed with its 20-year electricity plan. The decision was prompted by a revised electricity reliability report from the Independent Electricity System Operator last week which recommended that the government not to shut the 1,975 MW Lambton and 3,938 MW Nanticoke coal-fired plants until replacement generation and transmission facilities could come online.

<http://www.platts.com/Coal/News/7529301.xml?p=Coal/News&sub=Coal>

Florida's Gas-fired Power Plants Vulnerable to Hurricane Disruptions – CERA

According to a recently-released study by Cambridge Energy Research Associates, Florida power plants—38 percent of which run on natural gas—may not be able to get the fuel they need if a hurricane significantly disrupts gas supply. Only two pipeline companies ship gas into Florida: Florida Gas Transmission and Gulfstream Natural Gas System.

<http://www.tbo.com/news/money/email/MGBZIM8ZEOE.html>

California ISO Presents Plan to Integrate Renewable Power into Grid

The plan consists of four sections: Transmission Upgrades, Market Integration, Operations Tools, and updating the Participating Intermittent Resource Program (PIRP).

http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20060614006004&newsLang=en

Update: Alberto Knocked Out Power to 20,000 in Georgia at Storm's Peak

<http://www.wtoctv.com/Global/story.asp?S=5030167&nav=0qq6>

Mississippi Power's 1,052 MW Plant Watson in Mississippi Back in Operation June 14

The facility in Gulfport suffered significant flooding damage during Hurricane Katrina last year.

<http://biz.yahoo.com/prnews/060614/clw051.html?v=52>

<http://www.shareholder.com/Common/Edgar/66904/92122-05-355/05-00.pdf>

Riverside's New 98 MW Gas-fired Peaking Unit in California Starts Up June 13

http://pro.energycentral.com/professional/news/power/news_article.cfm?id=6797083

PPL's 1,135 MW Susquehanna 1 Nuke Unit Shut in Pennsylvania June 15

The unit shut automatically early Thursday morning while transferring reactor protection system power supplies.

Company officials expect to restart the unit in "a few days."

http://today.reuters.com/stocks/QuoteCompanyNewsArticle.aspx?view=CN&storyID=2006-06-15T175757Z_01_N15431544_RTRIDST_0_UTILITIES-PPL-SUSQUEHANNA-UPDATE-1.XML&rpc=66

PPL's 1,135 MW Susquehanna Nuke Unit 1 in Pennsylvania Shut June 14

The 1,135 MW nuclear power plant in Berwick, Pennsylvania shut automatically while transferring reactor protection system power supplies, according to an NRC report. The company does not yet know what caused the trip or when the unit will return to service.

Reuters, 13:57 June 15, 2006.

FERC Proposes Regulations to Facilitate Transmission Line Projects

FERC proposed regulations that would facilitate the approval process for new interstate electric transmission lines.

The proposed regulations would require that FERC complete its evaluation and decide whether to issue a permit within one year from the date the application is filed.

Reuters, 12:17 June 15, 2006.

TXU's 750 MW Martin Coal-Fired Unit 1 Shut June 14

The 750 MW coal-fired power unit in Tatum, Texas shut on June 13 for unplanned work. It is unknown how long the unit will remain shut.

Reuters, 09:27 June 15, 2006.

AEP's 528 MW Coal-Fired Welsh Unit 1 Shut June 14

The 528 MW coal-fired power unit in Pittsburg, Texas shut on June 14 to fix a boiler tube leak and is expected to return to service on June 18. Unit 3 is also shut and is expected to restart by June 17.

Reuters, 09:10 June 15, 2006.

Duke Energy's 846 MW Oconee Nuke Unit 1 Shut; to be Back as Scheduled

The 846 MW nuclear power unit in South Carolina shut on June 13 for planned maintenance; during the shutdown, operators discovered small leak at a weld in a "tee" joint. The problem will be fixed without affecting the planned schedule. The unit is expected to be back on line in a few days.

Reuters, 09:01 June 15, 2006.

Update: TXU's 545 MW Sandow Coal-Fired Unit 4 to Restart June 15

The 545 MW coal-fired power unit in Rockdale, Texas will return to service on June 14 after completing repairs in the boiler.

Reuters, 08:37 June 15, 2006.

Update: Entergy's 968 MW La. River Nuke Unit at Full Power June 15

The 968 MW nuclear power station in St. Francisville, Louisiana is now back at full power, up from 80 percent of capacity on June 13.

Reuters, 07:32 June 15, 2006.

Update: Constellation's 620 MW Nine Mile Point Nuke Unit 1 at 82 Percent Power June 15

The 620 MW nuclear power station in Scriba, New York is at 82 percent capacity on June 15, up from 45 percent the day before.

Reuters, 07:23 June 15, 2006.

Petroleum

Update: Iraq-Turkey Pipeline Shut Again After Resuming Exports Earlier in Week

According to an Iraq Oil Ministry spokesman, Iraqi oil shipments to the Turkish port of Ceyhan via the Iraq-Turkey pipeline have been halted pending a report on the condition of the pipeline. Exports from Kirkuk had restarted on June 10 and increased to a rate of 250,000 b/d after months of no activity. The Iraq-Turkey pipeline has been shut for most of 2005 and 2006 due to persistent insurgent attacks. According to an official from Iraq's North Oil Company, the renewed ability for export via the pipeline is due to security provided by 5,000 soldiers who have been deployed to protect pipelines in the region. Before the Iraq War began in 2003, the pipeline exported around 800,000 b/d from the north.

<http://www.chron.com/disp/story.mpl/ap/world/3968551.html>

<http://washingtontimes.com/world/20060614-125145-1400r.htm>

Total U.S. Petroleum Imports Climb to 14.331 b/d in May; New Record High - API

According to the American Petroleum Institute, total U.S. petroleum imports are up from 13.495 million b/d in May 2005 and up from the previous record of 14.198 million b/d in November 2005. Product imports totaled 3.925 million b/d and crude imports totaled 10.406 million b/d.

<http://www.platts.com/Oil/News/7527236.xml?p=Oil/News&sub=Oil>

Bodman to Advise Iraq on Energy; Help Establish 'Rapid-Repair Teams'

President Bush has asked Energy Secretary Samuel Bodman to travel to Iraq to meet with Iraq's energy minister to identify ways the U.S. can help Iraq boost oil and electricity production. Bush has said that the U.S. will help Iraq establish "rapid-repair teams" to fix damage from attacks on Iraq's energy infrastructure. Iraq's oil exports have been hampered by repeated sabotage. In 2005, Iraq supplied 3.5 percent of total U.S. oil imports.

<http://www.upi.com/Energy/view.php?StoryID=20060614-045926-1867r>

<http://www.platts.com/Oil/News/7529024.xml?p=Oil/News&sub=Oil>

Venezuelan Oil Cutoff Could Raise Prices \$13 per Barrel – GAO

According to the U.S. General Accountability Office, a six-month loss of Venezuelan oil exports to the United States could cause crude prices to increase by \$9-13 per barrel. A Venezuelan oil embargo against the U.S. would lead to the rise in the short term because U.S. oil refiners would face higher costs finding replacement supplies. In addition, some U.S. refineries are specially designed to process Venezuelan crude and would lose some of their effective capacity if forced to use lighter varieties. In 2005, Venezuela supplied the U.S. with about 1.5 million b/d, or about 11 percent of total U.S. oil imports.

<http://www.platts.com/Oil/News/9982577.xml?p=Oil/News&sub=Oil>

<http://news.moneycentral.msn.com/provider/providerarticle.asp?feed=AP&Date=20060614&ID=5798031>

http://tonto.eia.doe.gov/dnav/pet/pet_move_impcus_a2_nus_ep00_im0_mbbldpd_a.htm

U.S. Nigerian Crude Imports Rise Despite Shut in Production

The United States received more crude oil from Nigeria in the first four months of 2006 compared with the same period last year despite a wave of rebel attacks this year which have shut an estimated 800,000 b/d of Nigerian production. According to EIA, Nigerian imports were up an average of 178,000 b/d for the first three months of 2006. The increase is being attributed to new fields coming online. In 2005, Nigeria supplied 8 percent of total U.S. oil imports.

Oil Daily, June 15 2006

<http://tonto.eia.doe.gov/dnav/pet/hist/mttimusni2m.htm>

Explosion at Tesoro Refinery in Hawaii Damages Liquid-Asphalt Tank June 13

The tank was used to make liquid asphalt. Tesoro evacuated some workers around the tank but the plant continued to operate.

<http://www.thehawaiiichannel.com/news/9365880/detail.html>

Processing Unit at ExxonMobil's 150,000 b/d Refinery in California Malfunctions June 14

On June 14, a processing unit at ExxonMobil's refinery in Torrance, California malfunctioned and triggered flaring at the refinery. The company spokesperson declined to reveal which unit malfunctioned.

Reuters, June 15, 2006.

Shell Discovers Hydrogen Leak at 340,000 b/d Refinery in Texas – May Cut Production

On June 14, Shell announced that because of a leak in a heat exchanger gasket at the refinery's Hydrogen Plant-1 that was discovered on June 12, the company may reduce production at its 340,000 b/d Deer Park refinery in Texas. The decision is expected to be made on June 15.

Reuters, 21:32 June 14, 2006.

ExxonMobil's Oil and Gas Platform in Nigeria Temporarily Shut is Back Online

An unspecified operational incident caused ExxonMobil's Oso oil and natural gas platform in Nigeria to shut temporarily earlier this month. The 90,000 b/d platform is now back online and production has been restored to normal level.

Reuters, 12:02 June 15, 2006.

Natural Gas

TORP Technology Moving Ahead with LNG Project Off Alabama Coast

The Norwegian firm has begun a series of public hearings for its proposed 1.4 Bcf/d Bienville Offshore Energy Terminal to be located south of Mobile, Alabama. The terminal's gas shipments, which the company hopes to begin in 2008, will flow through existing pipelines to Alabama, Louisiana and Mississippi.

<http://www.tuscaloosaneews.com/apps/pbcs.dll/article?AID=/20060614/APF/606141014&cachetime=3&template=dateline>

FERC Approves Three New LNG Terminals and Two Expansions to Boost Gas Supplies

On June 15, FERC approved construction of three new LNG import terminals and expansion of two pre-authorized LNG facilities to meet the growing demand of natural gas in the U.S. The approved projects are: Dominion Resources expansion of its LNG import terminal in Maryland and pipelines; second phase of Cheniere Energy's Sabine Pass LNG import terminal in Cameron Parish, Louisiana; Cheniere's new Creole Trail LNG and pipelines also located in Cameron Parish, Louisiana; BP's new Crown Landing LNG terminal in Logan Township, New Jersey; and Semptra Energy's new Port Arthur LNG terminal in Jefferson County, Texas. By 2010, a total of 9.7 bcf/d of natural gas is projected to be available for the projects.

Reuters, 13:46 June 15, 2006.

FERC Approves Rules to Encourage Construction of New Natural Gas Storage Facilities

On June 15, FERC approved the rules designed to encourage construction of new natural gas storage facilities. The new rules will provide incentives to building storage facilities by providing greater pricing flexibility to companies owning storage facilities.

Reuters, 12:44 June 15, 2006.

Other News

Powder River Basin Coal Train Loadings on Joint Line Up From Last Year

Total Southern Powder River Basin Joint Line loadings for May averaged 65.5 trains per day, up from 53.5 in 2005. Last year, loadings were curtailed due to severe weather which caused derailments and unstable conditions. The Joint Line is jointly owned by Union Pacific Railroad and BNSF Railway. (See related story in the Electricity section.)

http://www.uprr.com/newsinfo/releases/service/2006/0614_coal.shtml

Energy Prices

U.S. Oil and Gas Prices June 15, 2006			
	Today	Week Ago	Year Ago
CRUDE OIL West Texas Intermediate U.S. \$/Barrel	69.57	70.30	56.55
NATURAL GAS Henry Hub \$/Million Btu	6.43	6.17	7.31

Source: Reuters

Energy Notes

BP to Upgrade Refineries to Process Canadian Heavy Crude

http://today.reuters.com/stocks/QuoteCompanyNewsArticle.aspx?view=CN&storyID=2006-06-15T134138Z_01_N15404773_RTRIDST_0_ENERGY-BP-INVESTMENTS-UPDATE-1.XML&rpc=66

Caspian Pipeline Consortium Pipeline Expansion Could Be Held Up Over Bosphorus Bypass

Nefte Compass, June 15, 2006

Venezuela Expects to Produce 400,000 b/d of Orinoco Extra Heavy Crude by 2010 -PdVSA

<http://www.platts.com/Oil/News/7530374.xml?p=Oil/News&sub=Oil>

Iraq Needs to Invest \$10 Billion Rebuild Oil Industry – Former Minister

<http://www.platts.com/Oil/News/8487456.xml?p=Oil/News&sub=Oil>

Imperial Oil Slowing MacKenzie Pipeline Discussions Until it Reassess Project Cost

http://www.thestar.com/NASApp/cs/ContentServer?pagename=thestar/Layout/Article_Type1&c=Article&pubid=968163964505&cid=1150282852664&col=968705923364&call_page=TS_Business&call_pageid=968350072197&call_pagepath=Business/News

Officials from LNG-Exporting Countries Meet with U.S. Utility and Industry Executives to Discuss Future Supply

http://today.reuters.com/stocks/QuoteCompanyNewsArticle.aspx?view=CN&storyID=2006-06-14T162845Z_01_N14229152_RTRIDST_0_ENERGY-USA-LNG.XML&rpc=66

215 MW Akikokan Coal-fired Unit in Ontario in Won't Convert to Natural Gas

<http://www.tbsource.com/Localnews/index.asp?cid=8374>

MMC Energy's 44 MW Chula Vista Peaking Plant in California Achieves Commercial Operation for Summer

<http://biz.yahoo.com/prnews/060614/nyw083.html?v=49>

Florida Gas Declares Overage Alert at 20 Percent Tolerance Due to Heat and Low LinePack

Reuters, 11:19 June 15, 2006.

Ethanol Grain Processors in Tennessee Begins Construction of Second Ethanol Plant

Reuters, 10:15 June 15, 2006.

Links

This Week in Petroleum from the Energy Information Administration (EIA)

<http://tonto.eia.doe.gov/oog/info/twip/twip.asp>

Updated every Wednesday.

Weekly Petroleum Status Report from EIA

http://www.eia.doe.gov/oil_gas/petroleum/data_publications/weekly_petroleum_status_report/wpsr.html

Updated after 10:30 AM & 1:00 PM EST every Wednesday.

Natural Gas Weekly Update from EIA

<http://tonto.eia.doe.gov/oog/info/ngw/ngupdate.asp>

Updated after 2:00 PM EST every Thursday.

ENERGY ASSURANCE DAILY

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<http://www.oe.netl.doe.gov/index.aspx>.

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